



Idaho Legislative Services Office  
Legislative Audits Division

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## 90-DAY FOLLOW-UP REPORT

### STATE OF IDAHO – FY 2011 SINGLE AUDIT REPORT

On May 11, 2012, the Legislative Services Office released the federally required *Single Audit Report* for fiscal year 2011. State agencies with findings in this report were contacted in August 2012, and the following describes how each agency has responded to the recommendations.

#### **COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED**

**Finding 2011F-1 – Internal controls are inadequate to ensure compliance with federal requirements for the Rehabilitation Services Grants.**

**We recommended that the Commission strengthen internal controls over the Rehabilitation Services Grant spending to ensure grant costs are properly expended, monitored, and reported.**

#### **AUDIT FOLLOW-UP**

The Commission implemented procedures requiring additional documentation of specific controls to ensure that the accounting records support the federal financial reports and meet matching and maintenance of effort requirements. The Commission resubmitted the federal financial reports in which errors were noted.

The Commission also implemented a new equipment tracking system which allows staff to properly track equipment purchases and location. The Commission requested and received an exemption from the State Division of Purchasing requirements for the Summer Work Employment Program.

#### **STATUS - CLOSED**

#### **DEPARTMENT OF ENVIRONMENTAL QUALITY**

**Finding 2011F-2 – Funding designations are not clearly communicated to ensure that monitoring efforts and other compliance requirements are met.**

**We recommended that the Department clearly communicate the designation of funding between program staff, fiscal staff, and subrecipients to ensure that monitoring efforts and financial reporting are accurate, complete, and consistent to ensure federal compliance.**

#### **AUDIT FOLLOW-UP**

In State fiscal year 2013, the Department began implementing a new process for communicating funding designations to subrecipients of federal awards. The Department will use the initial loan documents to inform subrecipients that loan proceeds may include federal funding that will be identified in annual statements. The Department will track the nature of the funding supplied, using specific grant designations, and send a year-end letter communicating all federally required funding information to each subrecipient. The tracking mechanism will also be used by the Department staff to complete federally required reports and to identify the subrecipients requiring federal monitoring efforts.

The communication process has not been completely implemented. We will review the implemented communication process during completion of the fiscal year 2012 Single Audit to ensure compliance with grant requirements.

#### **STATUS – OPEN**

### **DEPARTMENT OF HEALTH & WELFARE**

**Finding 2011F-3 – Interim payments of \$117,701,246 were paid to providers in advance of an incurred allowable claim, which is not in compliance with federal requirements.**

**We recommended that the Department report and request reimbursement from the federal grantor only for payments supported by allowable activities as identified in the grant agreement.**

#### **AUDIT FOLLOW-UP**

The Department has not issued any additional advanced payments and refunded the federal grantor on June 30, 2011 for unrecovered advanced payments.

#### **STATUS – CLOSED**

**Finding 2011F-4 – Medicaid payments of \$39 million were not identified by specific service type as required.**

**We recommended that the Department reconcile and analyze activity in the miscellaneous unknown task code to determine the correct coding. We further recommended that the Department work with Molina Medicaid Solutions to update the financial tables in MMIS to ensure the coding in MMIS reconciles to FISCAL.**

#### **AUDIT FOLLOW-UP**

The Department and Molina Medicaid Solutions responded to the requested follow-up that claims coded to the miscellaneous unknown task code were evaluated to determine the cause of the errors and that they made corrections to the financial tables to ensure the correct task codes are used. The Department is using this research to make adjustments to claim expenses coded to the miscellaneous unknown task code and expects all adjustments to be completed by December 31, 2012. Additionally, the Department and Molina Medicaid

Solutions continue to monitor new activity coded to the miscellaneous unknown task code to correct new miscoding errors more timely. The coding and adjustments will be evaluated during the 2012 Single Audit.

#### **STATUS - OPEN**

**Finding 2011F-5** – Required data mining tools and reports are not available in the new MMIS system.

We recommended that the Department provide required claims and provider information to the Medicaid Program Integrity Unit (MPIU) and Medicaid Fraud Control Unit (MFCU) to assist in completing the analysis of claims. We further recommended that the Department identify a specific timeline to have the reports available, or develop ad-hoc reporting capabilities for the MPIU and MFCU to meet these guidelines.

#### **AUDIT FOLLOW-UP**

The Department is still completing a database rebuild which will allow the MPIU to receive provider ranking reports and provider profile reports used to assist in the investigation process. The Department anticipates the rebuild to be complete in November 2012.

#### **STATUS -OPEN**

**Finding 2011F-6** – Medicare Buy-In program lacks sufficient data reports to verify Center for Medicare and Medicaid Services (CMS) monthly billings.

We recommended that the Department require the systems contractors, Thomson Reuters and Molina Medicaid Solutions, to establish appropriate reporting from the MMIS to verify Medicare Buy-In eligibility.

#### **AUDIT FOLLOW-UP**

The Department asserts new reports are now in production and available for staff to verify CMS monthly billings. A report was not made available for us to inspect, but we will evaluate compliance during the completion of the 2012 Single Audit.

#### **STATUS - OPEN**

**Finding 2011F-7** – Outpatient Services provided to both Medicaid and CHIP clients do not correctly process from the MMIS to the accounting system FISCAL, resulting in incorrect federal reporting.

We recommended that the Department correct the coding and interface structure between the MMIS and FISCAL to ensure proper accounting and reporting of federal expenditures.

## **AUDIT FOLLOW-UP**

The Department changed the interface table and completed adjusting entries to correct the identified errors. A detailed listing of the adjustment transactions was provided and will be evaluated during the 2012 Single Audit.

## **STATUS -OPEN**

**Finding 2011F-8 – Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments.**

**We recommended that the Department refine error notification and correction procedures for the eligibility data reconciliation issues to ensure that only eligible client claims are paid.**

## **AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows:

*The Department agrees that there are some issues with the current interface design between its eligibility system (IBES) and its Medicaid Claims Payment System (MMIS) and that these issues can cause improper payments.*

*The Department believes that the internal control and notification process currently in place to identify eligibility errors between the IBES and MMIS system is adequate and effective. The current Medicaid eligibility reconciliation process includes both a daily automated alert file as well as a month end reconciliation file which identifies and reports eligibility records that cannot be loaded successfully to the MMIS system. The Divisions escalate these daily alerts and month end reconciliation reports to both the Welfare Service Desk and the MMIS service desk to: identify the issue, determine priorities for fixes found in the reports, complete priority case-based and automated system-based fixes. In addition, these reports provide information for root cause analysis to identify systemic problems with the design and functionality of the interface and provide details for analysis in developing strategies for long term improvements in transactional activities between the two systems.*

*Through this process, the Department has been able to identify many necessary changes to the current interface design and strategies for better business practices that will allow for better integration and alignment between the two systems. A project plan has been developed and presented to CMS through the APD process and the Department was awarded funding through the Medicaid Readiness project to begin enhancements and modernization efforts to improve transactions and interfaces between the two systems. This work has already begun and many of the improvements are expected to be in place by summer*

*2013. An entire development team has been funded to work on issues specific to the IBES/MMIS interface issues.*

Auditor's Response: As stated in the original finding, internal control procedures were in place and identified the errors but allowed them to go uncorrected for months, resulting in claims paid for ineligible clients. We will review the Department's corrective action during the completion of the fiscal year 2012 Single Audit.

#### **STATUS - OPEN**

**Finding 2011F-9 – Monthly contract payments for the Idaho Smiles program are charged entirely to the Medicaid Cluster when approximately 11% should be charged to the Children's Health Insurance Program (CHIP).**

**We recommended that the Department correct the coding in the accounting system to properly distribute these costs to the Medicaid grant and the CHIP grant based on eligible clients. We further recommend that the Department contact the federal grantor to resolve the reporting errors.**

#### **AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows;

*The department agrees with the finding. The Medicaid System Support Team and the Bureau of Financial Services staff will develop a report to use for manually correcting the prior period reporting. We will also develop an automated process to correctly reflect the portion of the Idaho Smiles capitation payment that is made for CHIP eligible clients to ensure the correct grant is charged. The report will be used until the automated process is implemented.*

Auditor's Response: The Department is developing a report to manually correct errors in the prior reporting period as they work to develop an automated process to correctly charge the CHIP grant for clients included in the monthly Idaho Smiles payment. A report was not made available for us to inspect, but we will evaluate compliance during the completion of the 2012 Single audit.

#### **STATUS -OPEN**

**Finding 2011F-10 – Receipting Services Only (RSO) child support costs are overstated and over-allocated to the Temporary Assistance for Needy Families (TANF) grant.**

**We recommended that the Department review transactions automatically accruing to the RSO cases to ensure that unnecessary costs are not incurred. We further recommended that the Department implement appropriate case closure procedures for these RSO cases.**

#### **AUDIT FOLLOW-UP**

The Department disagrees with this finding and, accordingly, has not made the recommended changes. We continue to affirm the finding, and the issue is currently under review with the Federal Grantor.

#### **STATUS - OPEN**

**Finding 2011F-11** – Child support costs of \$191,101 were charged to TANF without proper documentation to support allowability.

**We recommended that the Department provide adequate supporting documentation for all costs charged to TANF and other federal grants.**

#### **AUDIT FOLLOW-UP**

The Department has provided supporting documentation in the form of invoices to support the total amounts billed. However, the portion of charges applicable to TANF was derived using the allocation method described as flawed in finding 2011F-10, which remains open.

#### **STATUS – CLOSED**

**Finding 2011F-12** – Child Welfare referral costs are charged entirely to TANF, resulting in an over-allocation of approximately \$6.9 million for State fiscal year 2011.

**We recommended that the Department utilize an appropriate basis for allocating risk assessment costs to all benefiting grants, to comply with all A-87 and federal TANF requirements.**

#### **AUDIT FOLLOW-UP**

The Department disagrees with this finding and, accordingly, has not made the recommended changes. We continue to affirm the finding, and the issue is currently under review with the Federal Grantor.

#### **STATUS - OPEN**

**Finding 2011F-13:** Substance abuse costs are charged to the federal TANF grant and do not meet federal requirements for allowability.

**We recommended that the Department develop procedures to ensure that eligibility is properly determined and documented for all clients receiving Substance Abuse referrals and/or treatment under TANF, and to ensure these costs are charged to the appropriate grant and reported correctly.**

#### **AUDIT FOLLOW-UP**

The Department has developed a procedure to perform an adjusting entry quarterly to move the percentage of costs not allowable to TANF to the applicable grant(s) based upon eligibility rates for the period. In addition, adjustments were posted to move the appropriate percentage of expenditures previously charged to TANF to the applicable grant(s).

#### **STATUS - CLOSED**

**Finding 2011F-14** – Federal American Recovery and Reinvestment Act (ARRA) funds of \$328,794 were incorrectly reported on the TANF ACF-196 Financial Report.

**We recommended that the Department strengthen internal controls over the grant reporting process to ensure that TANF costs are properly reported in accordance with grant requirements.**

#### **AUDIT FOLLOW-UP**

A revised TANF ACF-196 has not been filed as of the date of this report. Discussions with the Department's leadership have indicated that the revision will be included with the TANF ACF-196 report for the period ending September 30, 2012, which was due November 15, 2012.

#### **STATUS - OPEN**

**Finding 2011F-15** – Access Idaho invoices contain insufficient documentation to determine allowability to the Child Support Enforcement grant.

**We recommended that the Department require detailed invoices from Access Idaho to ensure the accuracy and allowability of those charges.**

#### **AUDIT FOLLOW-UP**

An Access Idaho account has been created for the Division of Welfare, which provides additional detail and allows Department staff to review the accuracy of the invoices and the allowability of the items being charged; however, Department staff is not familiar with the data and are unable to decipher correlations between the available data and the invoices. As of the date of this report, training has not been scheduled with Access Idaho. The Department intends to schedule training by the end of December 2012 so that staff can utilize the data appropriately.

#### **STATUS - OPEN**

**Finding 2011F-16** – WIC Infant Formula Rebate invoicing errors resulted in overbilling of \$ 22,075.

**We recommended that the Department strengthen procedures used to complete the invoice process to reduce the risk of errors occurring and going uncorrected.**

## **AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows;

*The Department agrees with this finding. The Idaho WIC Program appreciates the guidance provided by the Legislative Auditor. As of July 2011, the program brought the rebate invoicing procedures back to the central office program for completion. This change in procedure allows for multiple accuracy checks in the invoice preparation and receipt process.*

Auditor's Response: The Department has reassigned the rebate processing task to the central office which they assert improves accuracy and reduces the risk of errors occurring and going uncorrected. However, we found in our review that a credit has not been issued for one of the transactions overbilled during the prior audit.

## **STATUS – OPEN**

**Finding 2011F-17 – System edit controls intended to ensure that only allowable costs are charged to the Social Services Block Grant (SSBG) were overridden without proper authority or monitoring.**

**We recommended that the Department improve procedures and internal controls over grant accounting to ensure that system edit checks are not overridden and provide adequate training to personnel.**

## **AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows;

*The Department disagrees with this finding. The finding appears to identify three distinct issues.*

*1) The finding implies that activities associated with Promoting Safe and Stable Families (PSSF) should not have been charged to Social Services Block Grant (SSBG). The expenses charged to Promote Safe and Stable Families under the PSSF grant are also eligible under SSBG grant (45 CFR 96 Ap A).*

*2) The finding states that charges to the funding source (SSBG or PSSF) were not monitored. At the end of each quarter, the program manager and grant manager reviewed the expenses and available balances and agreed on any adjustments. There was no requirement to use one funding source over the other. In this case, at the end of the first quarter review, the grant manager switched the funding from SSBG back to PSSF, which was allowable.*

*3) The finding states that personnel in the regions were not adequately trained to select the correct funding source (SSBG or PSSF). While it is true that personnel in the regions were not trained to know which grant should be charged, they were not responsible, nor had the ability, to change which grant was charged for the activity identified. The program manager was responsible for selecting the correct grant to which expenses were charged. The program manager, with assistance from fiscal staff, adjusted the PCA tables as needed after each quarterly review.*

Auditor's Response: We were unable to verify that the Department improved internal control procedures to ensure that system edit checks are not overridden or that adequate training was provided to personnel. We affirm the original finding indicating control deficiencies existed which allowed the PCA table to be changed without appropriate monitoring. Further, the PCA table and mapping is an integral internal control to ensure costs are charged to the correct grant. Review, approval, and monitoring of changes to the PCA tables are critical steps to ensure the effectiveness of the control.

#### **STATUS - OPEN**

**Finding 2011F-18 – Reporting errors of \$111,633 occurred in the federal financial report for the Child Care Cluster.**

**We recommended that the Department investigate and correct these reporting errors, including a revised submission of the report to the federal grantor if necessary. We further recommended that the Department strengthen internal controls over the reporting process to ensure that required federal reports are properly supported and reviewed for accuracy.**

#### **AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows;

*The Department agrees with the finding and will correct the federal report for the quarter ending 9/30/2012.*

Auditor's Response: We found that the ACF-696 filed on October 31, 2012 contained the pertinent changes; however, the Department was unable to provide documentation indicating that internal controls over the reporting process had been strengthened. This finding will remain open until such time as the Department is able to provide documentation of additional internal controls or enhancements to the existing control procedures sufficient to prevent or detect and timely correct errors in grant reporting.

#### **STATUS - OPEN**

**Finding 2011F-19 – Administrative costs for Child Care Cluster exceeded allowable limits by \$159,113 as reported on the June 30, 2011, ACF-696 Financial Report.**

**We recommended that the Department improve monitoring of the grant requirements to ensure compliance with the limits for allowable administrative costs. We further recommended the Department contact the federal grantor to resolve the questioned costs.**

**AUDIT FOLLOW-UP**

The Department's initial response to the finding indicated that they did not receive adequate time to provide a corrective action for inclusion in the report. A response was subsequently issued by the Department as follows;

*The Department agrees that the ACF-696 report showed Administrative costs were overspent. However, the Department discovered this was caused by a workpaper error rather than an actual overspend of these costs. The workpapers have been corrected for the quarterly report dated 12/31/2011. No further corrections are needed.*

Auditor's Response: We found that the report for the period ended December 31, 2011 did contain the necessary corrections; however, the Department was unable to provide documentation indicating that improved monitoring procedures had been implemented. This finding will remain open until such time as the Department is able to provide documentation of improvements to their monitoring procedures sufficient to prevent or detect and timely correct errors in grant reporting.

**STATUS - OPEN**

**VOCATIONAL REHABILITATION, IDAHO DIVISION OF**

**Finding 2011F-20 – Federal financial reports are not supported by the Division's accounting records.**

**We recommended that the Division document the process and spreadsheets used to develop the federal reports. We also recommended that the Division reconcile this data to the amounts recorded in STARS to ensure the amounts reported and included in the statewide Single Audit are supported and accurate.**

**AUDIT FOLLOW-UP**

The Division now uses the statewide STARS system as the accounting system of record. STARS data is used to develop and support all federal financial reports prepared by the Division.

**STATUS – CLOSED**

**Finding 2011F-21 – Contract payments made to Community Rehabilitation Providers (CRP) include \$678,844 of unallowable costs.**

**We recommended that the Division ensure grant funds were expended only on allowable costs. We further recommended the Division to work with the Rehabilitation Services Administration to resolve the questioned costs.**

**AUDIT FOLLOW-UP**

The payments to the Community Rehabilitation Providers ended when the federal grantor notified the Division that they were unallowable. The Division has not received further guidance from the Rehabilitation Services Administration relating to the questioned costs.

**STATUS – CLOSED**

**Finding 2011F-22 – Matching and Maintenance of Effort requirements are not met for the Rehabilitation Services Grants.**

**We recommended that the Division properly support all transactions used for Matching for the Rehabilitation Services Grant. We further recommended that the Division ensure all Matching funds are allowable to the grants. We also recommended that the Division properly monitor Maintenance of Effort requirements and work with the Legislature and other State entities to ensure compliance.**

**AUDIT FOLLOW-UP**

The Division has refined accounting and program processes to ensure all transactions are supported and allowable for the grants. We will test the refinements during the fiscal year 2012 audit work to ensure the changes implemented meet compliance requirements for the grants. The Division is continuing in its efforts to work with the Legislature and other State entities to ensure Matching funds and Maintenance of Effort requirements are met in the future.

**STATUS – OPEN**

**Finding 2011F-23 – State procurement policies are not followed for ARRA expenditures as required by federal regulations.**

**We recommended the Division ensure all procurements comply with the State Division of Purchasing policies.**

**AUDIT FOLLOW-UP**

The Division has provided additional training and will work with the Division of Purchasing as necessary. We will test procurement transactions for the grants as part of the fiscal year 2012 audit work to ensure State procurement policies have been followed.

**STATUS – OPEN**

**Finding 2011F-24** – The indirect cost rate used for reimbursement of certain federal costs is not properly supported.

**We recommended the Division calculate the indirect cost rate in accordance with federal regulations (OMB Circular A-87) and include all expenditures in the base.**

**AUDIT FOLLOW-UP**

The Division hired a contractor with experience in preparing federal indirect cost rates to develop the fiscal year 2012 indirect rate. We will review and test the development and application of the indirect cost rate during the fiscal year 2012 audit work to ensure compliance with grant requirements.

**STATUS – OPEN**

**Finding 2011F-25** – Internal controls are inadequate to ensure compliance with eligibility requirements for the Rehabilitation Services Grant.

**We recommended that the Division implement internal controls to ensure compliance with eligibility requirements for the Rehabilitation Services Grants.**

**AUDIT FOLLOW-UP**

The Division provided multiple training sessions for Division Regional Managers and Office Managers to reinforce eligibility requirements. The Division is also in the process of updating the Field Service Manual to properly emphasize eligibility requirements. We will review the updated Field Services Manual and test for eligibility compliance during the fiscal year 2012 audit work.

**STATUS – OPEN**